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DESCRIPTION OF STIMULUS BILL COMPROMISE

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The bill *reduces* revenues by approximately $59.0 billion in Fiscal Year 2002 AND *increases* spending by $30.8 billion in Fiscal Year 2002. In FY 2002 spending constitutes 34.3% of the total bill in FY 2002. Over ten years the bill *reduces* revenues by $**110.8** billion and *increases* spending by $46.1 billion. Spending constitutes 29.4% of the total over ten years.

Description of Spending / Unemployment / Health Provisions:

Supplemental "Rebate" (Giveaway) -- provides a new supplemental "rebate" for individuals who filed income tax returns for 2000 before October 16, 2001 (regardless of whether they had any income tax liability *or* any payroll tax liability). Taxpayers would be eligible for the maximum "rebate" amount for their filing status ($300 single or married filing separately, $500 head of household, $600 joint filers) minus the amount (if any) of any previous rebate check issued. It is irrelevant whether the taxpayer showed any amount as wages on the 2000 income tax return.

TANF Supplemental Grants for Population Increases and Contingency Fund – extends for FY 2002, the mandatory supplemental grants under TANF for states with population increases and the contingency fund for states.

Extension of Unemployment Benefits -- Permits States to use federal funds to temporarily extend unemployment compensation for up to 13 weeks for those who have exhausted benefits (retroactive to applicants since March 15).

Transfers to State Unemployment Funds – effectively repeals the 1997 Balanced Budget Act provision that capped distributions under current law from the Federal Unemployment Trust Fund to the States at more than $100 million annually. The Federal government retains the remainder of funds that would otherwise be dispersed. This Budget Act provision is set to expire so that full payments would flow to the States starting in 2003. New funds made available to the States must be used to pay regular or increased unemployment benefits or provide extended benefits for those who have exhausted regular benefits or other cash benefits for those who do not qualify for regular benefits. (NOTE: Since this provision simply advances funds that would already be provided to the States in future years, it does not result in net increase in spending over the next several years.)

Employment Training and Temporary Health Care Coverage – Appropriates $4 billion for National Emergency Grants for states affected by major economic dislocations to provide employment and health care assistance for the unemployed.

Temporary State Health Assistance – The bill appropriates $4.6 billion in discretionary spending to the states (based on a formula) to be used to "provide health care items and services."

Health Care Tax Credit -- Provides a 60% advanceable and refundable tax credit, without a cap, for unemployed people who have no access to health care coverage to purchase health insurance (of their choice) for up to a total of 12 months during 2002 and 2003. In addition, the bill provides involuntarily unemployed people the right to guaranteed issue/no pre-existing condition health insurance if they were employed and covered the previous 12 months.

<u>Description of General Tax Provisions:</u>

Accelerate the 25-Percent Rate Bracket to 2002 -- accelerate the reduction of the prior-law 28% income tax bracket to 25%. The 25% rate would become effective for taxable years beginning in calendar years 2002 and thereafter. [It is presently scheduled to become effective in calendar year 2006.] The reduction would not increase any applicable alternative minimum tax.

Expanded Depreciation-- allow an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of certain qualified property that is placed in service after September 10, 2001 and before September 11, 2004.

Section 179 Expensing -- provide that the maximum dollar amount that may be deducted under section 179 is increased from $24,000 to $35,000 for property placed in service in taxable years beginning after December 31, 2001, and before January 1, 2004. In addition, the proposal would increase the present law $200,000 limit to $325,000 during 2002 and 2003.

Reduction in Corporate AMT – removes depreciation preferences and the 90% limitations on the foreign tax credit and net operating loss deduction from the corporate AMT. This has the effect of gutting the AMT. Companies would still have to complete two tax calculations, but fewer companies would actually have to pay the corporate AMT.

Net Operating Losses -- temporarily extend the general net operating loss (NOL) carryback period to five years (from two years) for NOLs arising in taxable years ending during 2001, 2002, or 2003

Treatment of Leasehold Improvement – permanently changes existing law to provide that 15-year property for purposes of the depreciation rules of section 168 includes qualified leasehold improvement property.

Teacher Deduction for Educational Expenses – permits a new deduction of up to $250 for expenses incurred by teachers for materials used in the classroom.

Foster Care – The bill allows foster care payments to be deducted regardless of whether they're received from a state agency or a private agency.

Extensions of Expiring Provisions – Extends numerous provisions that are set to expire this year or next.

Technical Corrections – Includes numerous corrections to previous tax bills.

Description of New York Specific Tax Provisions:

- Bonus depreciation (in addition to the 30% bonus provided to everyone)
- Reduces recovery period for leasehold improvements from 15 years to 5 years
- Increases Section 179 Expensing by up to $35,000
- Authorizes $15 billion of tax-exempt NY Liberty bonds

Description of Tax Provisions for Victims:

Provisions apply to victims of the Oklahoma City Bombing, the 9-11 Attacks, and anthrax between September 11, 2001 and January 1, 2002:

- Waives income tax liability for the year of death and the year prior for the victim. If a victim would have paid less than $10,000 in taxes, then the victim is treated as having paid $10,000, essentially ensuring a $10,000 benefit to every victim irrespective of whether they paid $10,000 in taxes.
- Provides tax-free treatment of death benefits paid by an employer

Provisions that apply to Members of the Armed Services killed in a combat zone or victims of terrorism (as specified above):

- New estate tax structure which results in a lower estate tax

Provisions that apply generally to victims of terrorist acts or Presidentially declared disasters:

- Disaster relief payments excluded from income
- Expanded authority for the IRS, DOL, and Pension Board to postpone deadlines for taxpayers affected by disasters

Tax on Sale of Structured Settlements -- Creates a 40% excise tax on transactions in which structured settlement payments are sold for a lump sum (exceptions for when a court approves of such sale as being in the victims' best interest).

Taxation of Disability Trust – Increases the exemption amount for disability trusts

Description of Authorization Provisions:

Disclosure of Tax Information Related to Terrorism Investigations -- Permits through December 31, 2003, the disclosure without a request to federal law enforcement officials certain tax information and permits the disclosure upon the request law enforcement certain additional information.